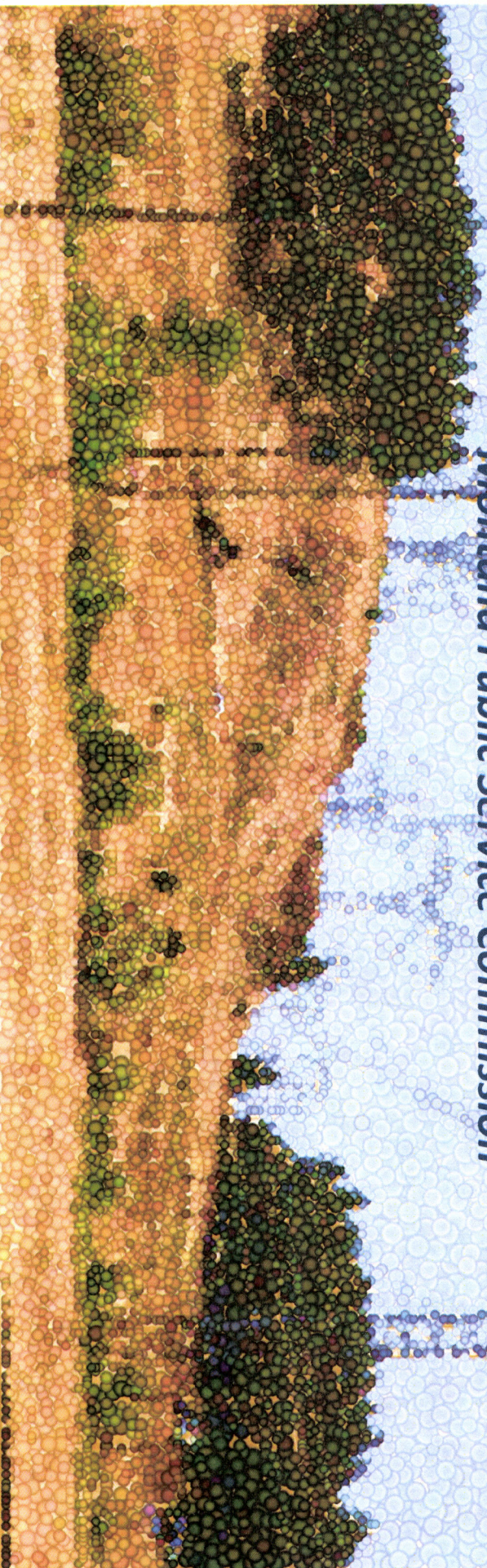


An overview of Transmission Open Access

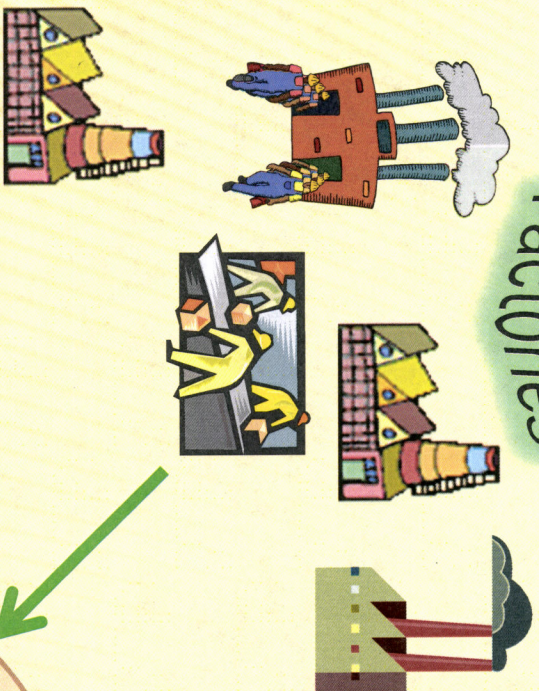
Senate Energy and Telecommunications Committee

January 24, 2013

Commissioner Travis Kavulla
Montana Public Service Commission

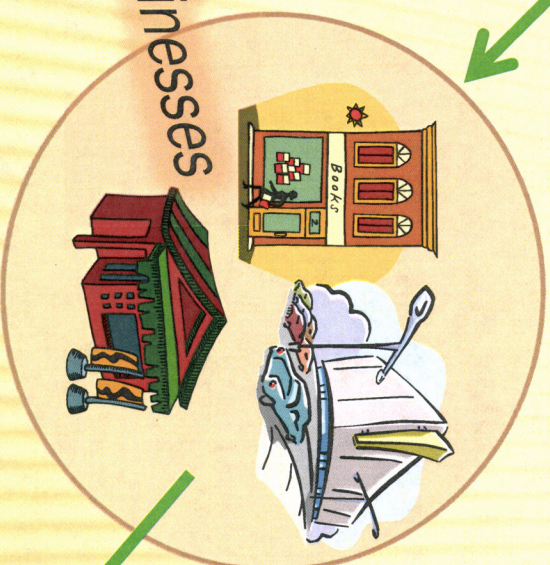


Factories



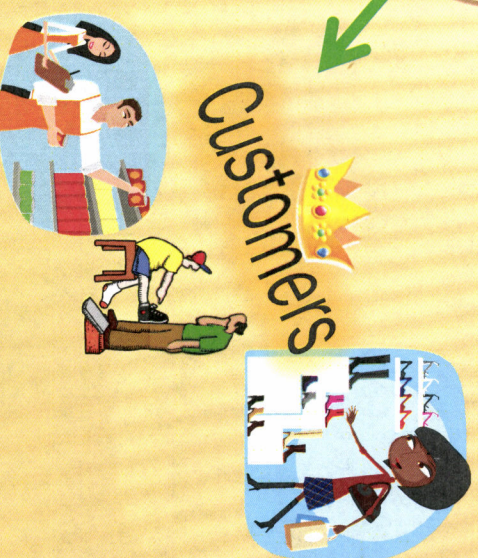
- ☐ In a “competitive” market model, multiple upstream factories sell their products to a *number* of businesses.

Businesses



- ☐ Businesses sell their products to multiple customers.

Customers



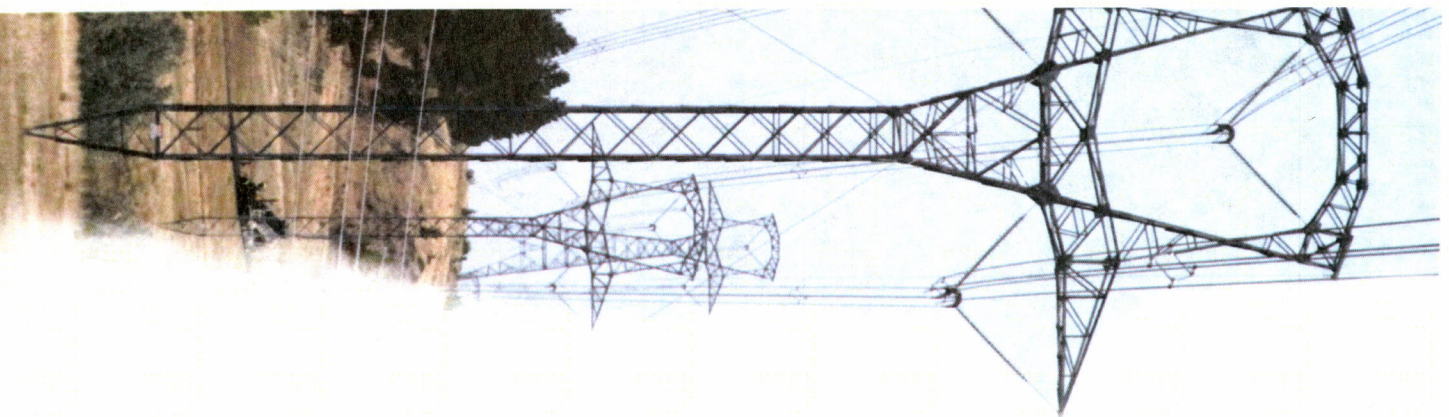
Transmission utilities are monopolies –
businesses unlike many others.



Before FERC Order 888, incumbent utilities could block competition from entering the market.

Competing Generator





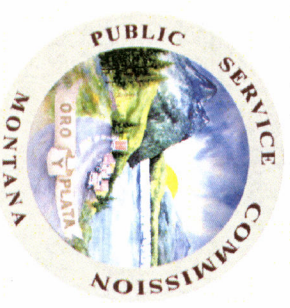
WHY WAS ORDER 888 NECESSARY?

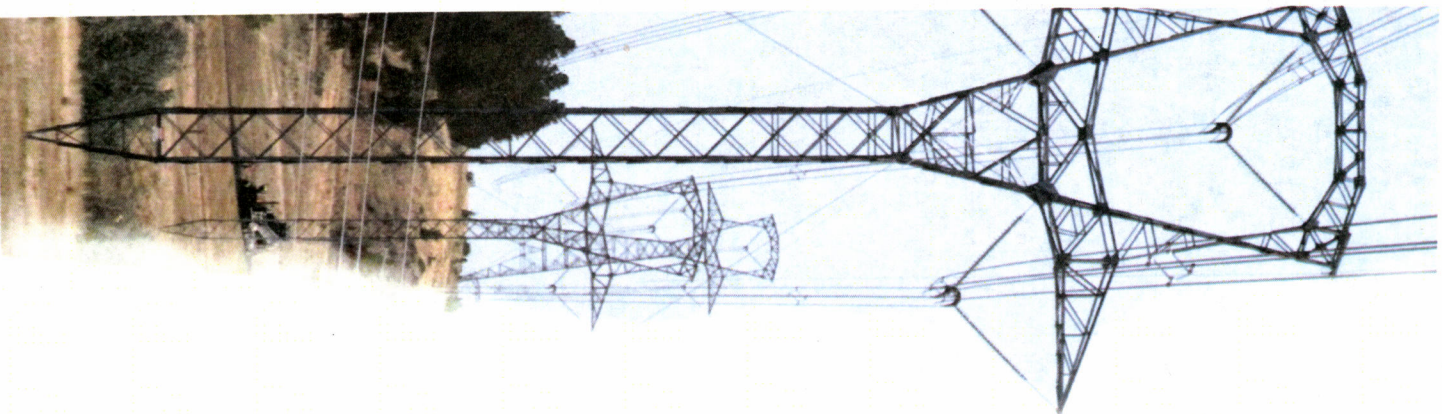
In most industries, regulation is an act of government that may limit competition or prevent market competition.

But in industries where monopolies use market power to stifle competition, regulation is intended to be a substitute for competition, albeit an imperfect one.

- ❖ Allegations of public utilities exercising “Transmission Dominance.”

“These are examples of allegations that various public utilities have refused to provide comparable service, either through refusals to wheel, dilatory tactics that so protracted negotiations as to effectively deny wheeling, refusals to provide service priority equal to native load, or refusals to provide service flexibility equivalent to the utility's own use.” – FERC





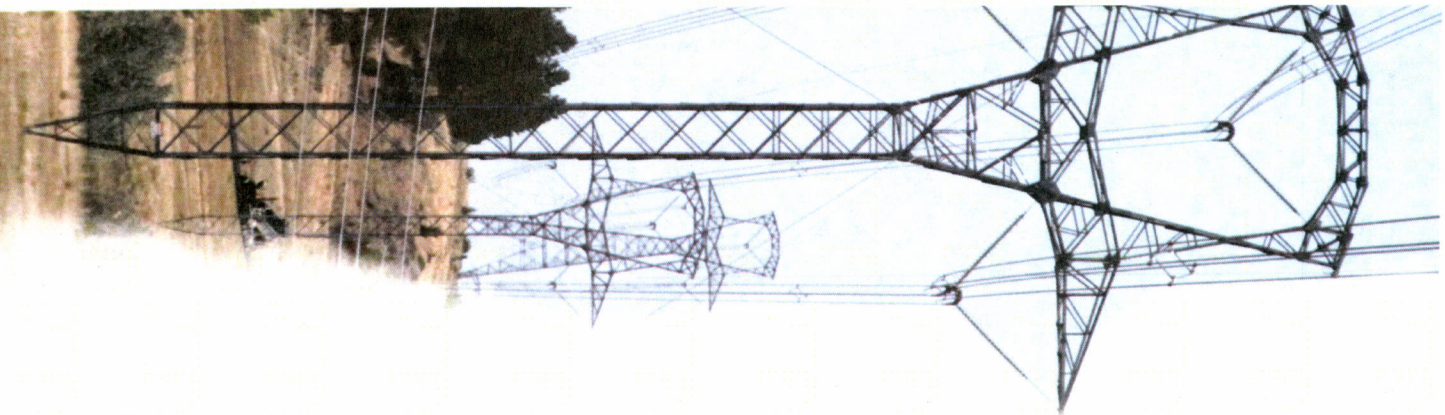
ORDER 888

Adopted by FERC April 24, 1996 - Requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce:

- ❖ To have on file open access transmission tariffs (OATT) that contain minimum terms and conditions of non-discriminatory service, and

"The Commission's goal is to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient, lower cost power to the Nation's electricity consumers." -
FERC





FERC OATT schedules:

Schedule 1: Scheduling, System Control and Dispatch

Schedule 2: Reactive Supply and Voltage Control from
Generation Sources

Schedule 3: Regulation and Frequency Response

Schedule 4: Energy Imbalance Service

Schedule 5: Operating Reserve-Spinning Reserve

Schedule 6: Operating Reserve-Supplemental Reserve

Schedule 7: Long-Term Firm and Short-Term Firm
Point-To-Point

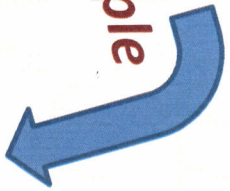
Schedule 8: Non-Firm Point-To-Point Transmission

Schedule 9: Generator Imbalance

Schedule 10: Variable Generator Imbalance



OASIS example



Content Management

Documents

• [NAESB Home Page](#)

- ☐ Standards of Conduct
- ☐ Performance Metric
- ☐ Business Practices, Waivers, and Exemptions
- ☐ ATC Information
- ☐ 2012_Reg_Reserves_Contracts
- ☐ IACE Diversity Interchange (ADI)
- ☐ CPS2 Scores
- ☐ Customer Registration
- ☐ Customer Requested Non-OASIS Transmission Info
- ☐ Daily Resource Undesignations
- ☐ Discussion Papers
- ☐ FERC Order 890
- ☐ Generation-Load-Transmission Interconnection
- ☐ Load Actual / Forecast
- ☐ Montana Energy Summit April 22 2008
- ☐ Montana-Idaho Open Season
- ☐ Mountain States 500kV Transmission Inter tie MSTI
- ☐ NNMW's Energy Imbalance Prices
- ☐ Network Resource
- ☐ News
- ☐ Northern Tier Transmission Group (NTTG)
- ☐ OASIS Notices
- ☐ Offers to Relieve Congestion
- ☐ Operating Procedures
- ☐ Outages
- ☐ Regulating Reserve Services RFP
- ☐ Schedule 3 Rate
- ☐ Schedule 9 Generation Imbalance
- ☐ Studies (Transmission Service)

Welcome to NorthWestern Energy's OASIS



NEWS

Announcements can be found under "NEWS" located on the left.
NorthWestern Energy will be strictly enforcing the timing requirements called out in the Tariff and Business Practices for acceptance of Transmission Service Requests.

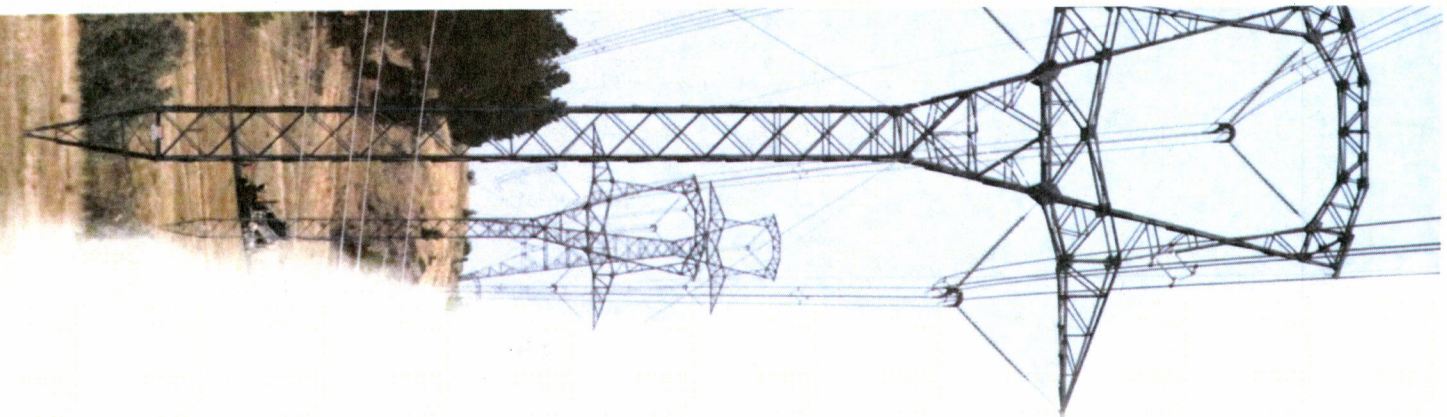
NORTHWESTERN ENERGY IS NOT OFFERING ANY DISCOUNTS AT THIS TIME

Further information regarding the replacement regulation service may be found in the "2012_Reg_Reserves_Contracts" folder on the left side of this page.

Due to the termination of the exchange provision of the Montana Inter tie Agreement effective October 1 2011, NorthWestern was required to specifically identify a new POR/POD called TOWNSEND on its system. This capacity was previously included in the BPAT.NWMT POR/POD for scheduling purposes. The purpose of this notice is to notify customers that during this transition Transmission Service Requests (TSRs) to TOWNSEND are subject to senior queued TSRs to BPAT.NWMT that were queued prior to October 1 2011. Once these pre-October 2011 TSRs are cleared from the queue, TOWNSEND TSRs will be processed independent from the BPAT.NWMT queue.

On April 29, 2010, NorthWestern Energy filed a revised Schedule 3 associated with the commercial operation of the Mill Creek Generating Station, which can be found under the Tariffs / Service Agreements FERC Filings folder.

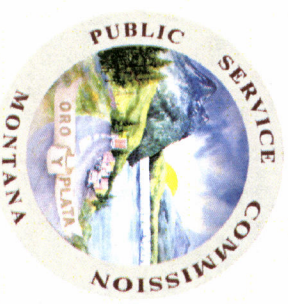
NMPP Reserve Sharing settlement pricing are available at www.nmpp.org, on the right hand screen under "Reserve Sharing".



Evolution of Order 888 ideology:

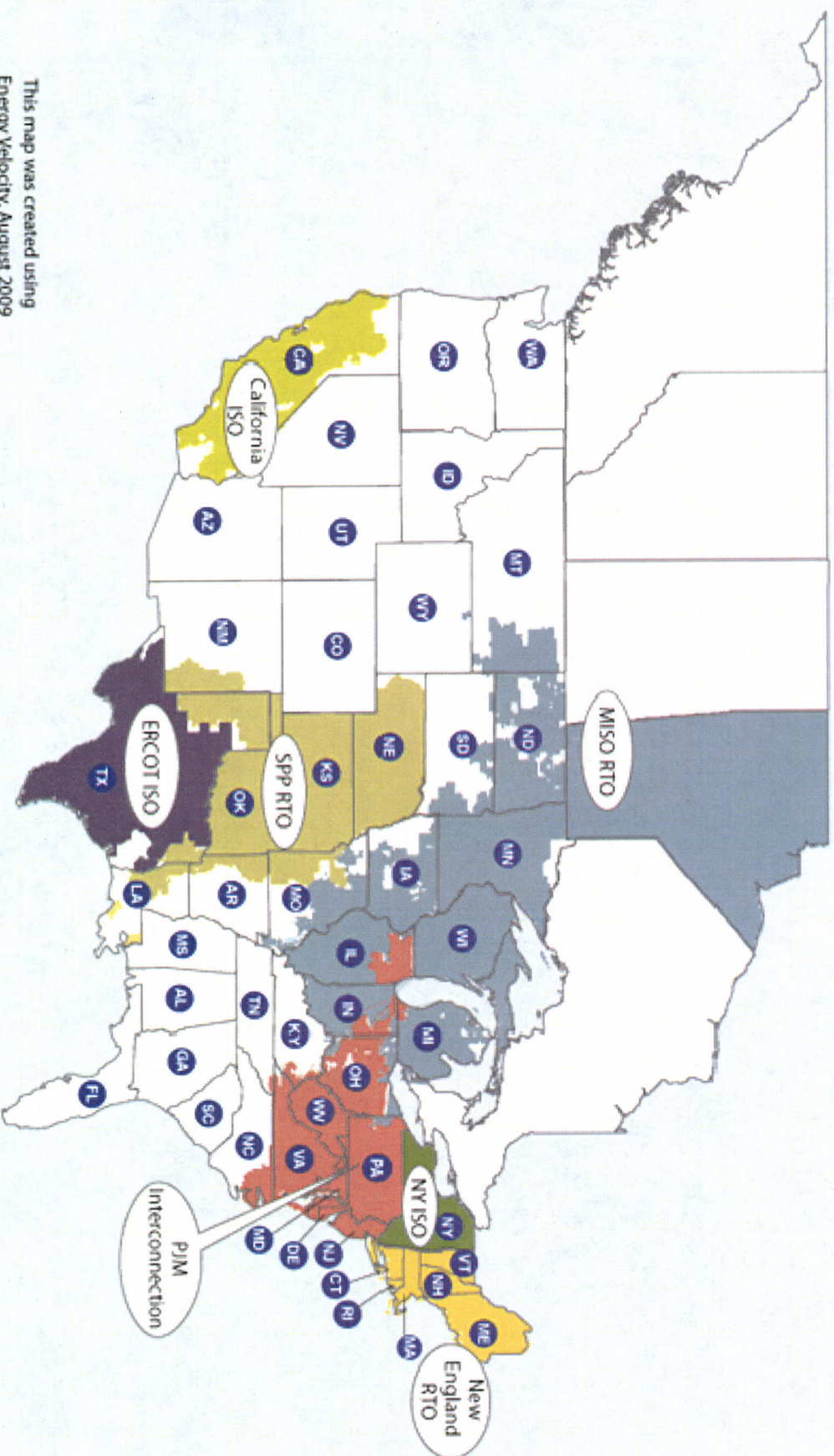
In 1999, FERC issued Order 2000, encouraging participation in regional transmission organizations (RTOs) and Independent System Operators (ISOs).

FERC's goal: RTOs will increase efficiency in wholesale energy markets and lower end-prices to consumers. Voluntary ISOs and RTOs formed in California (CAISO), the Southwest (SPP), Midwest (MISO), Mid-Atlantic (PJM), New England (ISO-NE) and New York (NYISO).

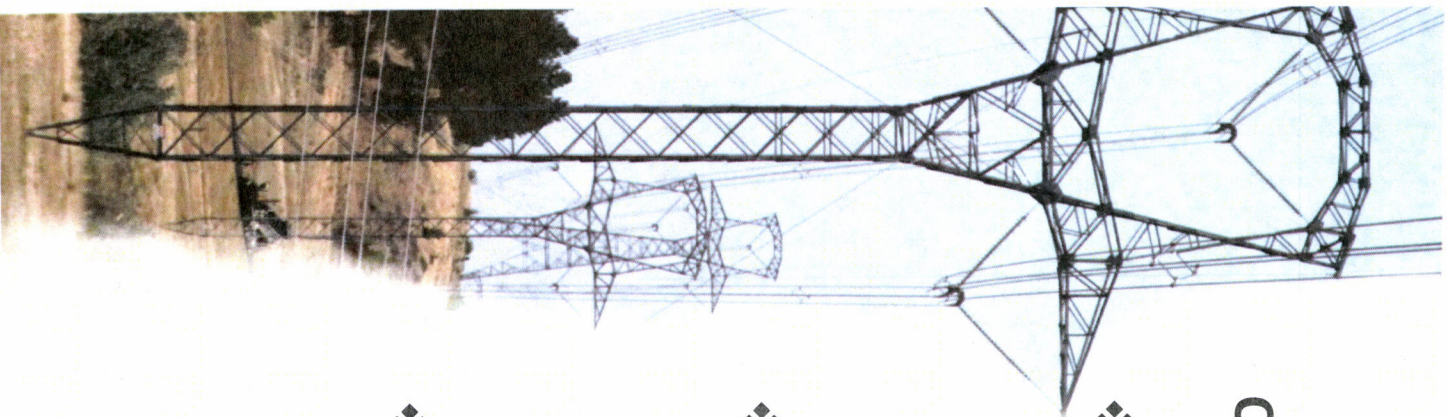


Central Markets: Regional Transmission Organizations

REGIONAL TRANSMISSION ORGANIZATIONS



This map was created using
Energy Velocity, August 2009

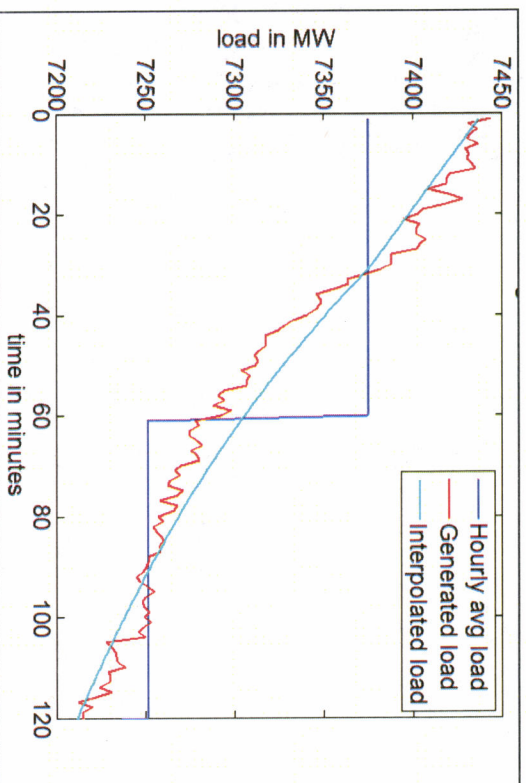


Other examples of “open access”:

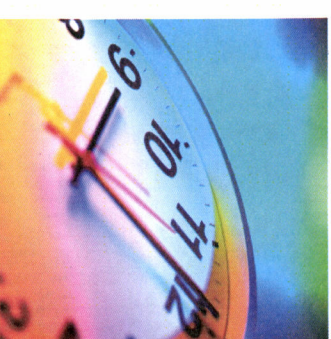
- ❖ Public Utilities Regulatory Policies Act of 1978: Allows small generators to access retail customers who otherwise are held captive by the utility, by allowing for sales of energy and capacity at that utility’s “avoided cost.”
- ❖ FERC Order 764 (June 2012) amends the pro forma OATT to “remove barriers to the integration of variable energy resources” by requiring transmission operators to offer intra-hourly transmission scheduling.
- ❖ FERC Order 1000, issued two years ago, discusses regional transmission planning, utilities’ obligation to build or finance cost-effective transmission lines, and so-called ‘merchant’ transmission lines.



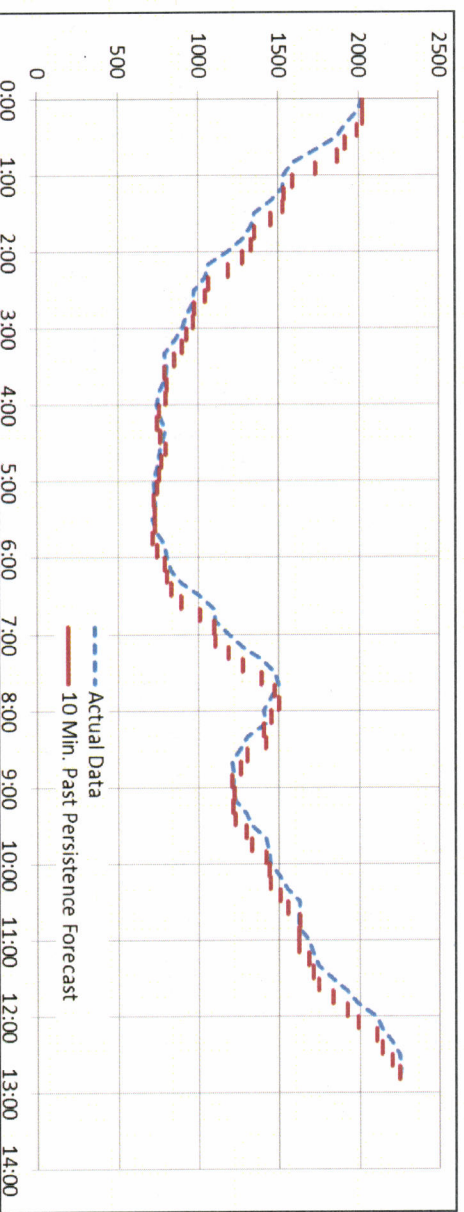
Scheduling on Smaller Time Intervals



Typical practice in U.S. utilities had been one hour scheduling

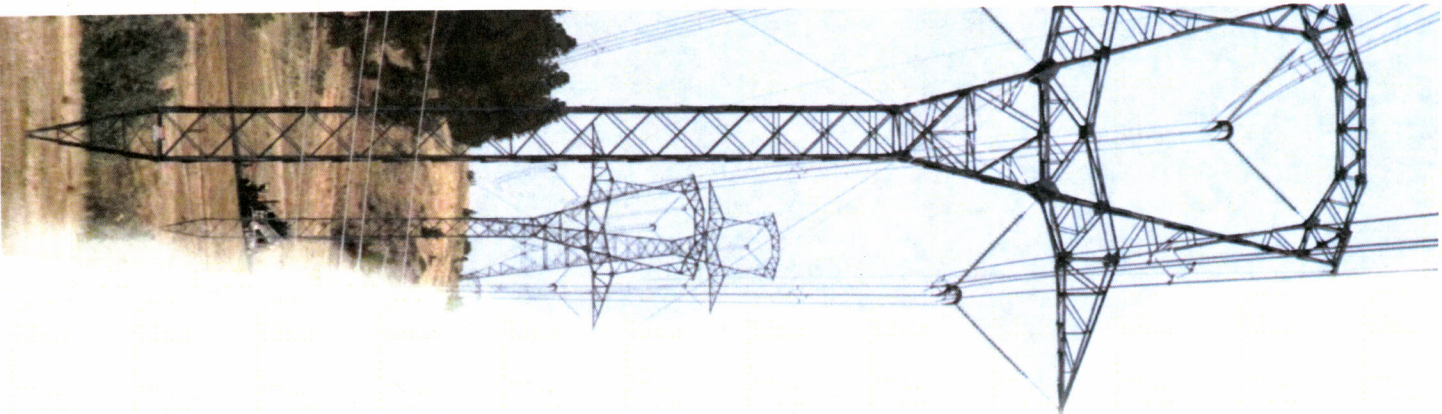


FERC Order 764 now requires 15-minute scheduling



TRANSMISSION PLANNING REFORMS

- ✕ Requires regional transmission planning and cost allocation to identify projects that are economical but are not being built.
- ✕ Requires a methodology for allocating the cost of transmission projects selected into the plan for reliability, economic and public policy benefits.
- ✕ Participant-funding is allowed for projects.
- ✕ FERC provides guidance on 'merchant' lines that are meant to serve distant loads with remote resources, and which are often independently owned
- ✕ FERC removes the "right of first refusal"
- ✕ Requires neighboring regional transmission groups to coordinate data and develop a common cost allocation methodology for projects that impact two or more neighboring regions.



What is a “Merchant” line?

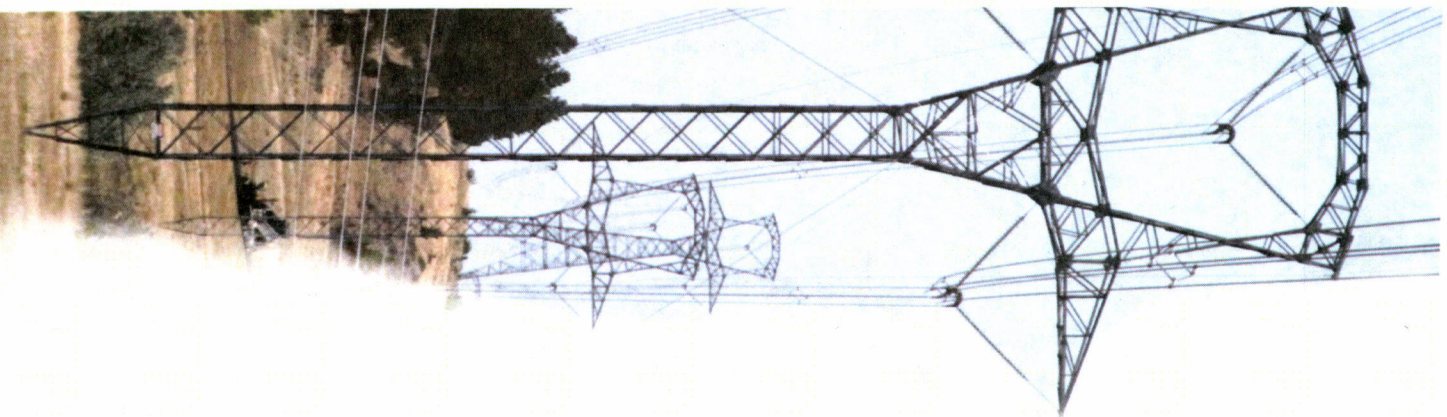
It's a business distinction more than a legal distinction.

Like other transmission lines, it is subject to FERC regulation under Order 888, but has a business model more like the Colstrip 500 kV line. It's intended to be a project connecting generation to load centers, typically located in different utility service areas.

Many of these transmission lines appear to make economic sense: the cost of generation + the cost of transmission < the cost of generation at the load center.

But building them is more difficult because they are larger and longer, do not fit easily in a vertically integrated utility's business model, and involve multiple jurisdictions (i.e., a generator with a PPA subject to a state PSC, siting authorities in other states, and FERC).





Obligation of merchant transmission projects

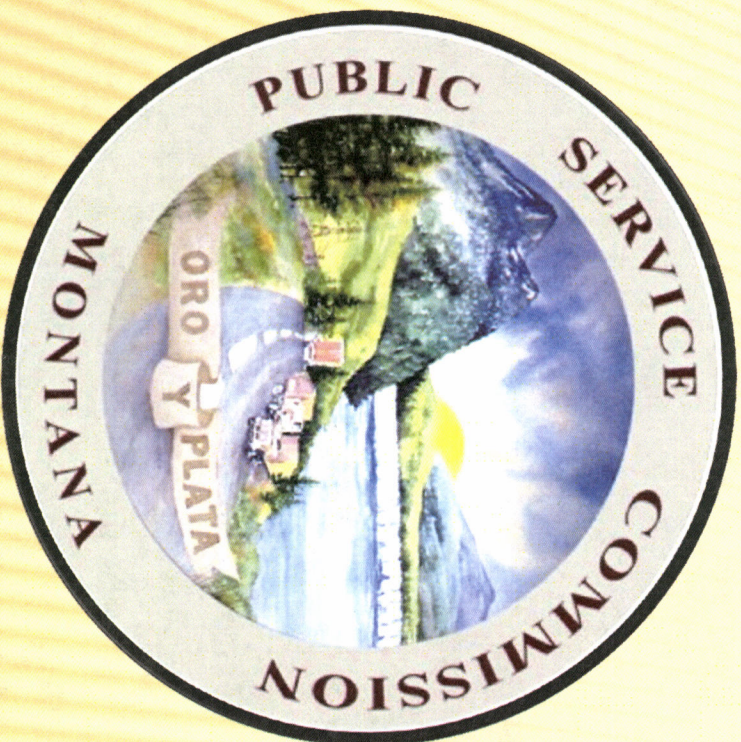
FERC allows developers to select customer subset and negotiate directly on key rates, terms and conditions for procuring up to full amount of transmission capacity.

“...under this final policy statement the Commission will allow merchant transmission developers to allocate up to 100 percent of their projects’ capacity through bilateral negotiations.” – FERC, Jan 17, 2013

- ❖ At the same time, the Commission requires that all merchant developers and nonincumbent, cost-based projects become public utilities once energized.
 - Public utility transmission providers are subject to OATT requirements, including obligation to expand transmission system if needed to provide transmission service.

“This should help to allay concerns about the potential for undue discrimination and preference with respect to the sizing of these types of projects.” – FERC

QUESTIONS?



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Commissioner

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